



House Financial Liability Reform Presentation

Robbie Jameson, Director
Office of Education
State Budget Office
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History of Current Funding System



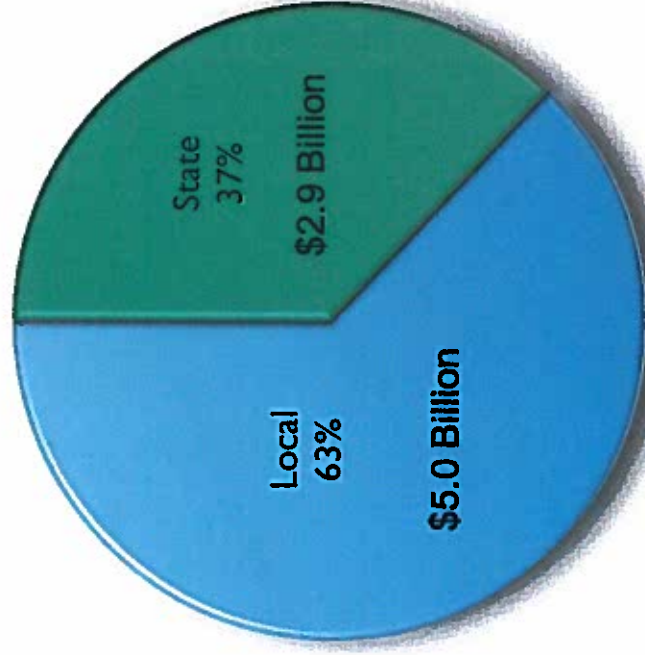
Proposal A

School Funding Reform

- Voters approved a constitutional amendment (1994) that resulted in major school aid tax reforms:
 - Sales & use tax rates increased from 4% to 6%.
 - Income tax rate decreased from 4.6% to 4.4%.
 - New real estate transfer tax imposed at 0.75%.
 - New state education property tax (SET) established at 6 mills on all property.
 - Cigarette tax increased from 25 cents to 75 cents per pack.
 - Local millages were reduced from an average of 34 mills to 24 mills on nonhomestead property and 6 mills on residential property (including SET).
- Proposal A included a constitutional provision requiring the state to guarantee each district's 1994-95 foundation allowance level.
- Proposal A addressed school operations funding only and did not address infrastructure needs.

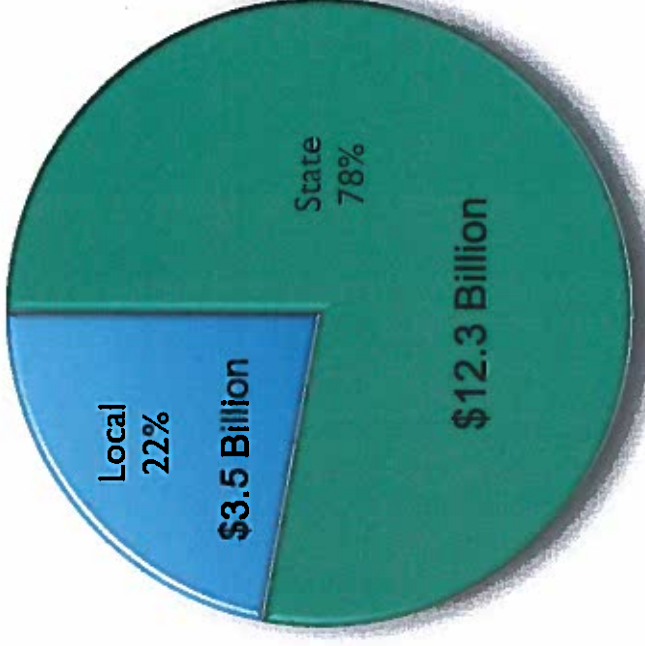
State spending on K-12 education has increased four-fold since Proposal A, while local school property taxes have shrunk by 1/3.

Fiscal Year 1990



Total: \$7.9 Billion

Fiscal Year 2017



Total: \$15.8 Billion

Proposal A Funding Distribution

FOUNDATION ALLOWANCE

- Local revenues, state formula amounts, many categorical that existed prior to 1995, retirement, and a portion of fund equity used to balance a district's budget were rolled into a base amount per pupil that was used to determine each district's new foundation allowance.
- To receive the full foundation allowance, a district must levy local school operating millage on non-homestead property of 18 mills, 12 mills on commercial personal property, or the number of mills levied in 1993, whichever is less.
- "Hold harmless" districts must levy additional local mills in order to receive their full foundation allowance above the state maximum share. (24 districts currently)
- The State's share of the foundation allowance is the difference between the per pupil foundation allowance and the district's local revenue.
- State share times number of pupils equals district's payment. Money follows the student.

Per pupil: Foundation allowance – local revenue = state share

State share times pupils = district payment



Foundation Allowance History

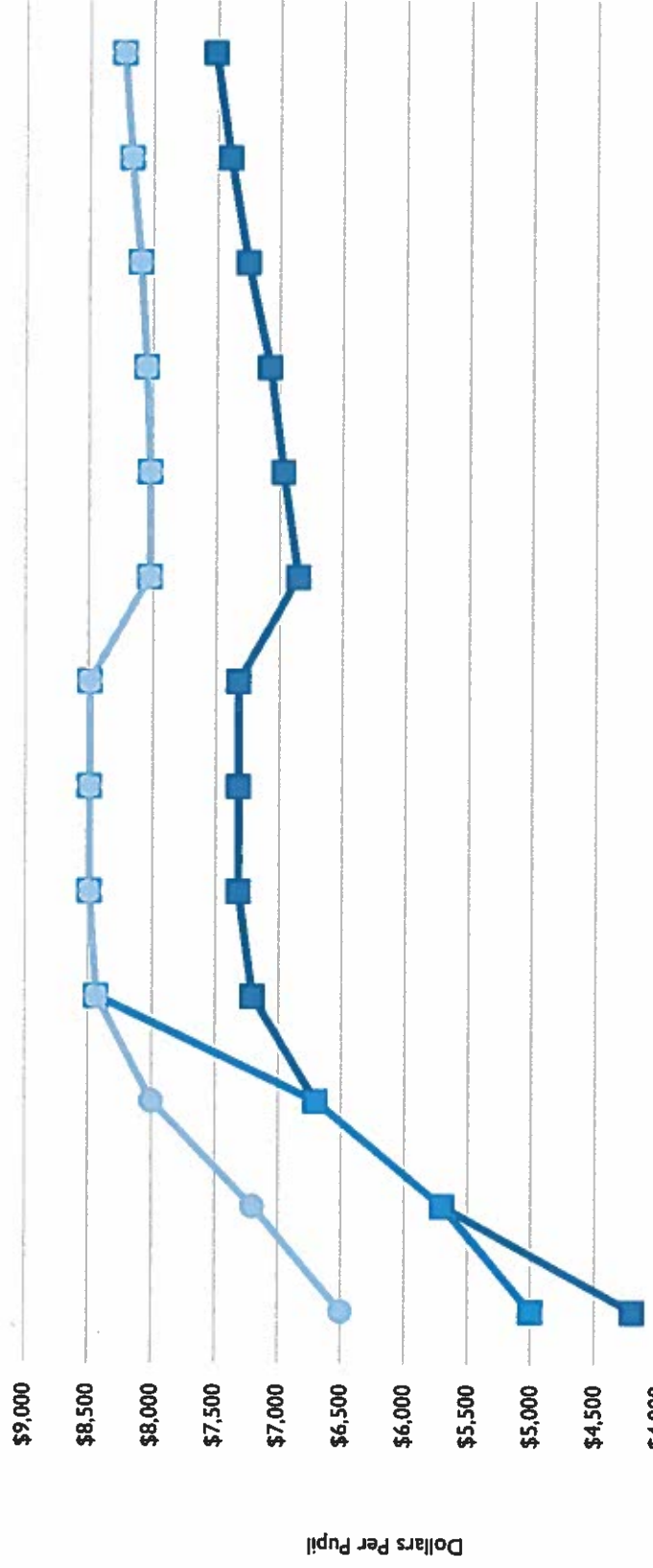
- In the first year of Proposal A (1994-95), a benchmark basic foundation allowance of \$5,000 per pupil was established and a minimum foundation of \$4,200 per pupil was set. The maximum foundation allowance on which a state share would be paid was set at \$6,500.
- Districts whose foundations exceeded \$6,500 were authorized to levy additional “hold harmless” property taxes.
- An index based on the ratio of increased school aid fund revenues to the inverse ratio of pupil count growth was established to determine the annual dollar increase in the basic foundation allowance and the cap on the maximum state share.
- Districts whose foundation allowance level was below the basic received up to twice the dollar increase of districts at or above the basic foundation.
- In some years, an across-the-board dollar increase was provided to all districts instead. In some years, an extra equity payment has been provided to the lowest funded districts.



Closing the Funding Gap

- By 1999-2000, the minimum foundation equaled the basic foundation allowance of \$5,700 per pupil.
- In 2007-08, the basic foundation allowance was reset to the state maximum foundation of \$8,433.
- The gap between the minimum and the maximum state share foundation allowance has drastically declined.
 - In the first year of Proposal A (1994-95), the gap was \$2,300 per pupil.
 - In 2016-17, the gap is \$718 per pupil.

Minimum, Basic, and Maximum Foundation Allowance Change Since FY 1995



- Minimum Foundation Allowance includes equity payments.

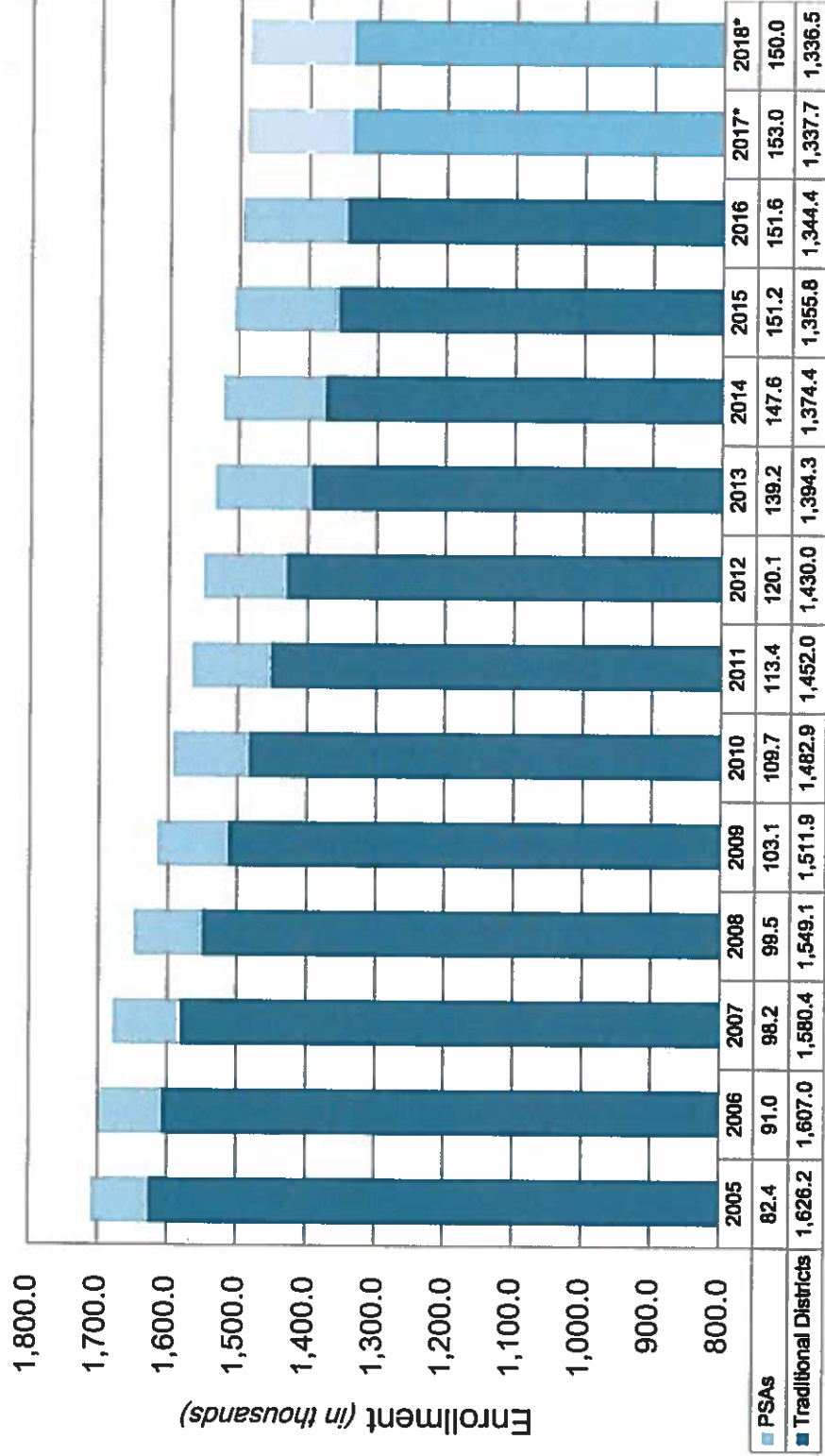
FY2017 Foundation Allowance

Demographics

	At Minimum (\$7,511)	Between Minimum and Basic	At or Above Basic (\$8,229)	Total
Districts	703	81	55	839
Pupils	932,831	329,134	228,735	1,490,700

K-12 Enrollment

FY2005 – est. FY2018



*FY17 and FY18 counts are estimates from the January 2017 Consensus Revenue Estimating Conference.

*Prior to FY18, pupils in the Education Achievement Authority (EAA) are included in the charter school counts. Starting in FY18, the EAA will be merged with Detroit Public Schools Community District and these pupils will appear in the local districts counts.

At-Risk

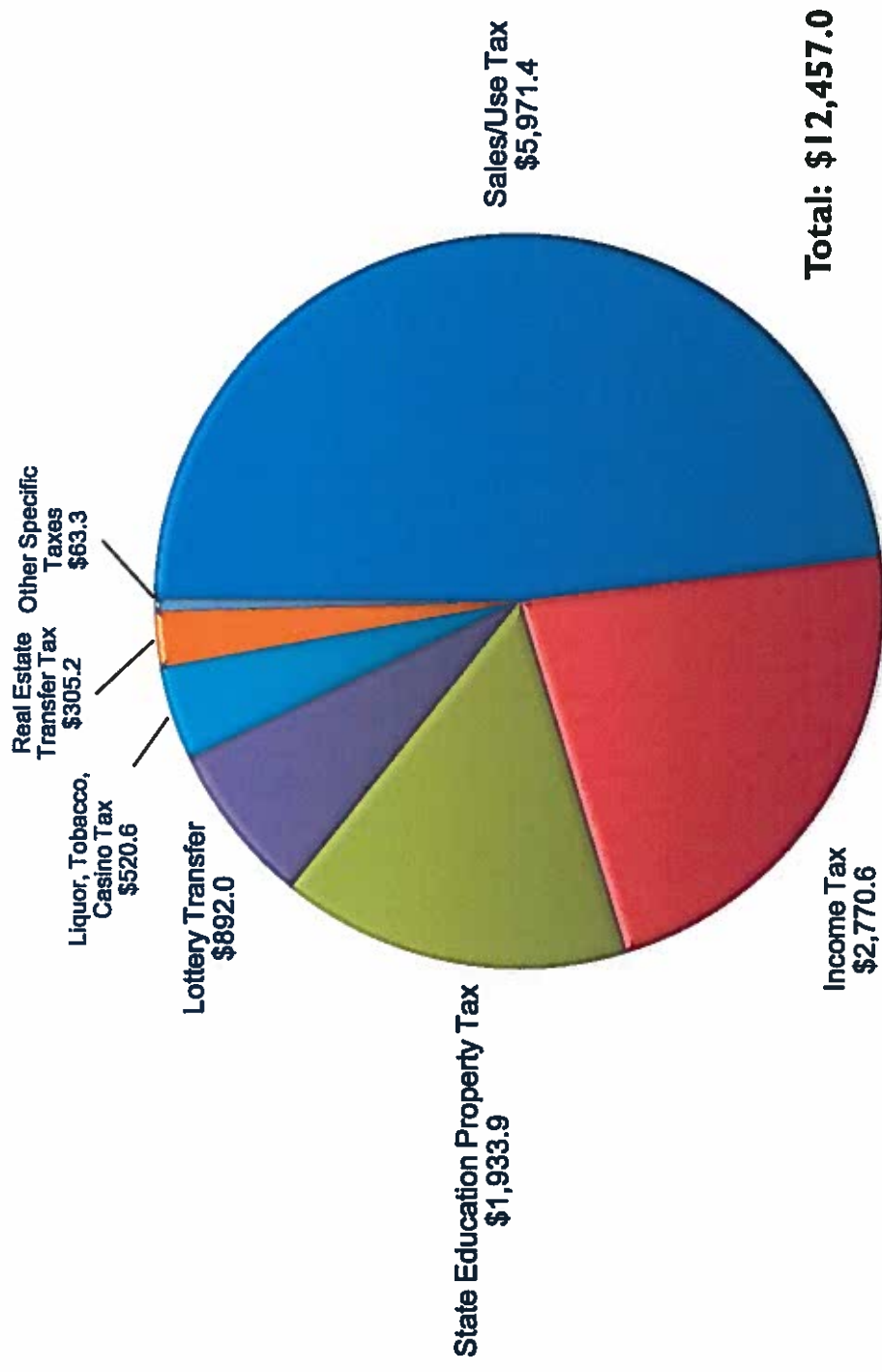
- Proposal A also established an at-risk categorical distributed by multiplying the number of pupils eligible for free lunch times 11.5% of the district's foundation allowance for those districts at or below the maximum state share of a foundation allowance.
- Funded at \$230 M in 1994-95; funded at \$379 M in 2016-17.
- Currently prorated at \$183 per pupil
- Major policy and funding changes proposed in the FY2018 Executive Recommendation.

Impact of Court Cases on Funding

- **Durant Court Cases:** In 2000-01, the School Aid Act was further restructured to comply with various Court rulings related to fully meeting all of its constitutional obligations. The state continues to use the foundation allowance formula to calculate total funding levels, but distributes the funding into 3 separate payments:
 - Proposal A obligation payment: The 1994-95 foundation allowance times the current year pupil count minus local school operating revenue is paid to each district.
 - Headlee obligation payment: Court-determined percentages of 28.6138% for special education costs and 70.4165% for special education transportation costs are paid to each district.
 - Discretionary payment: The remaining state dollars after Proposal A and Headlee obligations have been met. This payment may be used for any allowable school operating purpose.
- **Adair Lawsuit:** The Michigan Supreme Court determined that the maintenance, collection and reporting of data for state purposes constituted a new unfunded mandate.
 - \$38 million (approximately \$25 per pupil) has been appropriated in 2016-17 for data purposes.

FY2017 Budget

FY2017 School Aid Fund Dedicated Revenues (in millions)



Source: January 2017 Consensus Revenue Estimating Conference

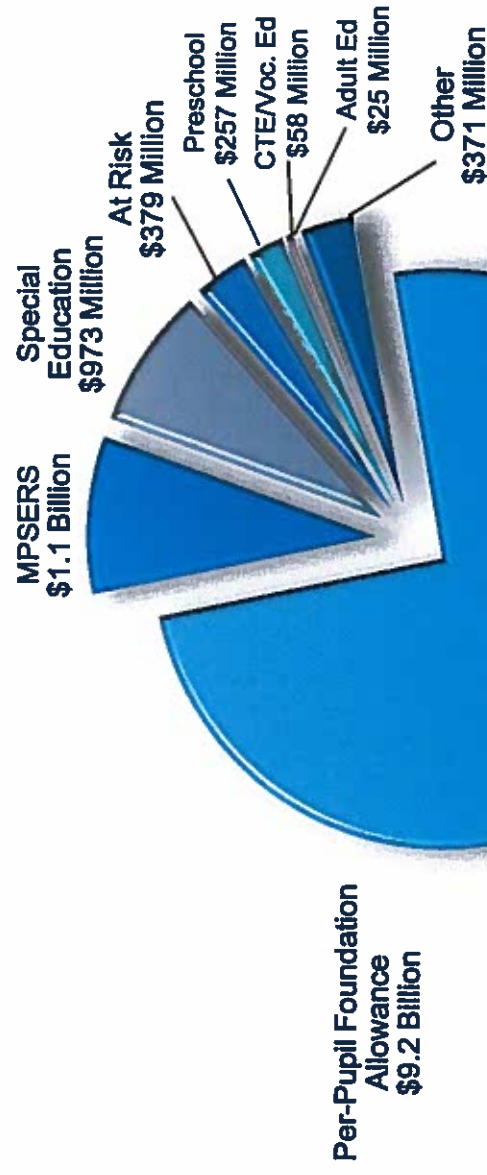
All Funds Used to Support the FY2017 School Aid Budget (in millions)

School Aid Fund*	\$11,959.5
SAF Beg. Bal/Adj.	\$ 92.8
General Fund	\$ 218.9
Comm. Dist. Trust Fund	\$ <u>72.0</u>
Subtotal – State Funds	\$ 12,343.2
Federal Funds	\$ 1,818.6
Local Funds	\$ <u>3,479.6</u>
Total	\$17,641.5

*School Aid Fund of \$497.5 million partially supports community college and university budgets.

*As of PA 249 of 2016

75% of state funding for public schools supports the per-pupil foundation allowance.



Total: \$12.3 Billion

■ Per Pupil Foundation ■ MPSERS ■ Special Education ■ At Risk ■ Preschool ■ CTE/VocEd ■ Adult Ed ■ Other

*Appropriated federal funds are not included.

*As of PA 249 of 2016



NATIONAL CONTEXT

Per Pupil Revenue and Spending of Top Performing States

FY 2014 Elementary-Secondary Revenue Per Pupil										Expenditures Per Pupil	
	Rank	Federal	Rank	State	Rank	Local	Rank	Total	Rank	Total	Rank
U.S.	-	\$1,094	-	\$5,969	-	\$5,712	-	\$12,774	-	\$11,009	-
MA	43	\$859	17	\$7,156	5	\$9,881	8	\$17,896	8	\$15,087	8
NH	42	\$874	33	\$5,432	7	\$9,613	12	\$15,919	10	\$14,335	10
NJ	45	\$856	10	\$8,275	4	\$11,401	4	\$20,531	4	\$17,907	4
MI	20	\$1,147	15	\$7,388	30	\$4,321	20	\$12,856	23	\$11,110	23

State Characteristics		
	2013 Population (in thousands)	2013 Personal Income Per Capita
U.S.	316,498	\$44,438
MA	6,709	\$56,548
NH	1,323	\$50,521
NJ	8,912	\$55,191
MI	9,898	\$39,198

Source: U.S. Census Bureau

2015 NAEP Proficiency – Top 10 States

4th Grade Math		
Rank	State	% of Students At or Above Proficient
1	Massachusetts	53.9%
2	Minnesota	53.4%
3	New Hampshire	51.4%
4	Indiana	49.7%
5	Wyoming	48.3%
6	Virginia	47.3%
7	Washington	46.9%
8	New Jersey	46.9%
9	Nebraska	45.6%
10	Wisconsin	45.4%
42	Michigan	34.0%

4th Grade Reading		
Rank	State	% of Students At or Above Proficient
1	Massachusetts	49.7%
2	New Hampshire	45.9%
3	Vermont	44.7%
4	Connecticut	43.5%
5	Virginia	42.9%
6	New Jersey	42.8%
7	Wyoming	41.2%
8	Pennsylvania	41.2%
9	Kentucky	40.4%
10	Washington	40.4%
46	Michigan	28.6%

8th Grade Math		
Rank	State	% of Students At or Above Proficient
1	Massachusetts	50.8%
2	Minnesota	47.8%
3	New Hampshire	46.3%
4	New Jersey	46.2%
5	Vermont	42.1%
6	Wisconsin	40.8%
7	Washington	39.3%
8	North Dakota	39.2%
9	Montana	38.9%
10	Indiana	38.7%
37	Michigan	28.5%

8th Grade Reading		
Rank	State	% of Students At or Above Proficient
1	Massachusetts	45.7%
2	New Hampshire	45.0%
3	Vermont	43.8%
4	Connecticut	43.3%
5	New Jersey	40.6%
6	Minnesota	39.7%
7	Pennsylvania	39.1%
8	Wisconsin	39.0%
9	Colorado	38.2%
10	Utah	38.0%
32	Michigan	31.8%



STATE BUDGET OFFICE

EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2018 AND 2019

Presented February 8, 2017

The Executive Budget for fiscal year 2018 again contains one budget bill for all government agencies and one for education. The education omnibus budget bill supports the state's education system at all levels from preschool to higher education. The Executive Budget for education totals \$16.3 billion - \$14.3 billion for public schools, \$398 million for community colleges and over \$1.6 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- The Governor's education omnibus budget demonstrates his commitment to ensuring our students are equipped with skills needed to succeed by making significant investments for fiscal year 2018. This is the 7th year in a row of increased investment in education. The education omnibus represents an **increase in state funds of \$279 million, or 2%, from fiscal year 2017 enacted levels.**
- Major investments in the education omnibus include a **\$150 million increase in At-Risk** funding for K-12 schools, an increase in the **foundation allowance of between \$50 and \$100 per pupil** at a cost of \$128 million, an increase in **higher education** of \$36.6 million for university operations and \$11 million for student financial aid programs.

FY2018 Education Omnibus Budget <i>Executive Recommendation</i> Summary of Appropriations (in thousands)				
Revenue Sources	K-12 School Aid	Community Colleges	Higher Education	Total
School Aid Fund	\$ 12,288,145.2	\$ 395,142.6	\$ 235,643.5	\$ 12,918,931.3
General Fund	\$ 215,000.0	\$ 3,025.0	\$ 1,289,954.5	\$ 1,507,979.5
Other State Restricted	\$ 72,000.1	\$ -	\$ 100.0	\$ 72,100.1
Federal Funds	\$ 1,726,943.5	\$ -	\$ 111,526.4	\$ 1,838,469.9
Total State Dollars	\$ 12,575,145.3	\$ 398,167.6	\$ 1,525,698.0	\$ 14,499,010.9
Total Appropriations	\$ 14,302,088.8	\$ 398,167.6	\$ 1,637,224.4	\$ 16,337,480.8

Michigan Public School Employees' Retirement System (MPERS)

The education omnibus includes a **total of \$1.2 billion** in state payments for MPERS retirement obligations across all budgets, which is a **net increase of \$26.7 million** from fiscal year 2017 levels.

- The budget continues the state payments over and above the cap for unfunded accrued liabilities (UAL) for participating entities, which is established in statute. Due to better than anticipated health care experience and more positive investment returns in recent years, the baseline costs are \$126.3 million less than fiscal year 2017 levels.
- The Governor's budget also recommends funding to lower the assumed rate of investment return (AROR) for the state's retirement systems from 8% to 7.5% over 2 years for MPERS (other retirements systems are lowered in one year). This more conservative assumption is advised by the system's actuaries, is more in line with the industry standard, and will help to ensure that available pension trust funds will be sufficient to pay the benefits that have been earned.
- Lowering the AROR requires a \$100 million investment in fiscal year 2018 to cover the increased costs for the UAL. The Governor's budget also includes an additional \$53 million to pay the anticipated increase in normal cost contributions, which would otherwise be paid by districts and other employees, in order to hold them harmless from these changes.

Michigan Public School Employees' Retirement System (MPERS)					
FY 2018 Executive Recommendation					
Summary of State Payments by Budget (in thousands)					
	K-12 Districts	Libraries	Community Colleges	Universities	MPERS Totals
FY2017					
UAL Cap Subsidy - Existing	\$ 982,200	\$ 600	\$ 73,200	\$ 5,890	\$ 1,061,890
MPERS Offset - Existing	\$ 100,000	\$ -	\$ 1,734	\$ -	\$ 101,734
Totals for FY2017	\$ 1,082,200	\$ 600	\$ 74,934	\$ 5,890	\$ 1,163,624
FY2018					
UAL Cap Subsidy - Existing	\$ 869,300	\$ 600	\$ 64,100	\$ 1,594	\$ 935,594
MPERS Offset - Existing	\$ 100,000	\$ -	\$ 1,734	\$ -	\$ 101,734
AROR - UAL - New	\$ 90,830	\$ 54	\$ 6,705	\$ 2,411	\$ 100,000
AROR - Normal Cost - New	\$ 48,940	\$ 29	\$ 3,612	\$ 419	\$ 53,000
Totals for FY2018	\$ 1,109,070	\$ 683	\$ 76,151	\$ 4,424	\$ 1,190,328
Annual Change	\$ 26,870	\$ 83	\$ 1,217	\$ (1,466)	\$ 26,704



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS EXECUTIVE BUDGET FISCAL YEARS 2018 AND 2019

FEBRUARY 8, 2017

FY2018 K-12 School Aid Executive Budget

(In thousands)	FY 2017 School Aid			FY 2018 School Aid			
	Current Law PA 249 of 2016	Revised	Difference from Current Law	Executive Budget	Difference from FY17 Current Law	Difference From FY17 Revised	
<i>School Aid Fund</i>	12,052,309.3	12,036,809.3	(15,500.0)	12,288,145.2	235,835.9	\$ 251,335.9	
<i>General Fund</i>	218,900.0	218,900.0	0.0	215,000.0	(3,900.0)	(3,900.0)	
<i>DPS Trust Fund/Other SR</i>	72,000.1	72,000.1	0.0	72,000.1	0.0	0.0	
Total State Funds	\$ 12,343,209.4	\$ 12,327,709.4	\$ (15,500.0)	\$ 12,575,145.3	\$ 231,935.9	1.9%	\$ 247,435.9 2.0%
<i>Federal Funds</i>	1,818,632.7	1,730,732.7	(87,900.0)	1,726,943.5	(91,689.2)	(3,789.2)	
Gross Appropriations	\$ 14,161,842.1	\$ 14,058,442.1	\$ (103,400.0)	\$ 14,302,088.8	\$ 140,246.7	1.0%	\$ 243,646.7 1.7%
<i>Local Revenue</i>	3,479,628.1	3,479,628.1	0.0	3,570,502.9	90,874.8	90,874.8	
Total Funding	\$ 17,641,470.2	\$ 17,538,070.2	\$ (103,400.0)	\$ 17,872,591.7	\$ 231,121.5	1.3%	\$ 334,521.5 1.9%

Consensus Pupil Estimates:

FY2017 – 1,490,700

FY2018 – 1,486,500, a decrease of 4,200 pupils from FY2017

FY2019 – 1,482,000, a decrease of 4,500 from FY2018

School Operations Funding

- The FY2018 budget provides for a **\$50 to \$100 per-pupil foundation allowance increase distributed through the 2x formula**, at a cost of \$128 million. Total foundation allowance funding exceeds \$9 billion. The minimum foundation allowance will increase to \$7,611 per pupil; the basic foundation allowance will increase to \$8,279 per pupil.

Per-Pupil Foundation Allowances		
	Minimum	Basic/Maximum
FY2017	\$7,511	\$8,229
Increase	\$ 100	\$ 50
FY2018 Foundation	\$7,611	\$8,279

- Funding for academically **At-Risk Children** is increased by **\$150 million to a total of \$529 million**, a 40% increase. Program eligibility is expanded to all districts and to all economically disadvantaged children, not just those who are free-lunch income eligible. These expansions will allow 131,000 more children to receive services. The amount available per at-risk pupil is increased from the current average of \$673 to \$778, an increase of over \$100 per pupil.

Districts must continue implementing multi-tiered systems of support (MTSS) that provide students of differing academic needs with varying levels of intervention, using data to inform instructional needs. Districts will have 3 years to improve 3rd grade English Language Arts (ELA) proficiency and 8th grade mathematics proficiency for economically-disadvantaged

children and English language learners. In addition, districts must address chronic absenteeism issues and provide at-risk high school students with CTE programming, dual enrollment, advanced placement and/or international baccalaureate coursework. If districts fail to make progress in achieving these metrics, the state superintendent is authorized to partner with the district, intermediate district, community organizations, and others to make recommendations for operational changes. In addition, the budget includes \$535 million federal funds to support at-risk students.

- State funding for **MPERS** retirement contributions totals \$1.1 billion, including \$960.8 million for the amount above the statutory cap of 20.96% of payroll. In FY2018, the governor is proposing a 2-year phase-in to reduce the assumed rate of return on investments from 8% to 7.5%. Funding is included to pay for both the increase in UAL costs as well as the anticipated increase in normal costs, which would otherwise be paid by districts. With baseline savings for FY2018 due to better-than-anticipated health care experience and positive investment experience over the last few recent years, the net increase for MPERS is \$27 million. The budget maintains the MPERS offset payment at \$100 million.
- In recognition of the **higher instructional costs of educating high school pupils**, the executive budget includes \$22 million for additional per-pupil payments to districts with students in grades 9 to 12. Districts will receive up to \$50 per high school pupil enrolled and attending in the district.
- To provide greater budget stability in districts with significant **declining enrollment**, the budget includes \$7 million for districts that have experienced enrollment declines of more than 5% in the last two years. Eligible districts will receive a payment of 1/3 of the foundation allowance multiplied by the difference between a two-year average membership blend and the district's actual membership blend. A district is eligible for this payment for two years.
- The recommendation also recognizes the varying costs of educating students based on type of education setting. For cyber schools that operate **virtual programs**, with minimal facilities costs when compared to their brick and mortar counterparts, the state per-pupil foundation allowance payments are reduced by 20%, which is estimated to save \$16 million.
- The state's cost of education programs operated by public schools for nonpublic and home-schooled students has risen to approximately \$115 million, more than double the amount spent five years ago. Funds for programs that serve nonpublic and home-school pupils are limited to \$60 million under this recommendation, with the remainder of the funds being reprioritized throughout the budget. For pupils enrolled in these program, payments are made from a new categorical (Sec. 23f), rather than through the foundation allowance.

Improving Early Learning and Literacy

- The budget includes \$257.3 million for the **Great Start Readiness Program (GSRP)**. Of that amount, \$243.9 million will provide over 63,000 half-day preschool opportunities to 4-year-olds across the state. The governor's budget includes changes to the formula that target available additional dollars to those ISDs serving the smallest proportion of their eligible 4-year-old population, as recommended by MDE in collaboration with a stakeholder workgroup.
- The budget includes \$26.9 million for **early literacy** efforts to increase reading proficiency by the end of a child's third grade year. Multi-tiered systems of supports provides for regular diagnostic screenings of students, and targeted interventions for students identified as falling

behind. The executive budget maintains funding for professional development and additional instruction time and doubles funding for ISD-based literacy coaches to a total of \$6 million.

Investing in College and Career Readiness Programs

- The budget recommends an increase of \$16.8 million, to \$20 million, for career and technical education **equipment upgrades** and \$9 million for **CTE early/middle college programs** that are aligned with the ten prosperity regions. These programs are intended to provide students with the opportunity to earn an associate's degree, technical certification, transferable college credit, or participation in a registered apprenticeship while taking high school courses. Funding for other vocational education programs remains at \$45.8 million.
- The FY2018 budget continues to recommend \$2.5 million for **First Robotics** programs, as well as \$250,000 to pay for testing costs associated with **Advanced Placement and International Baccalaureate** tests for low-income pupils. The budget also maintains \$1.75 million for incentives to districts that support **dual enrollment**.
- A total of \$8.8 million supports the state's **science, technology, engineering, and mathematics (STEM)** initiatives. From this amount, nearly \$2.75 million is recommended to support restructured regional STEM Centers, \$3 million is recommended for delivering STEM-related opportunities to pupils statewide, and \$500,000 is recommended for a new program to improve computer science skills in students statewide.
- The budget continues to recommend \$3 million for the **Michigan College Access Network** to improve college access for low-income and first-generation students.

Assessments and Accountability

- The FY2018 budget continues \$40 million (\$33.7 million in state and \$6.3 million in federal) for costs associated with **student assessments** required under state and federal law. Beginning in 2018-2019, MDE will pilot benchmark assessments that augment the existing assessment framework.
- A total of \$7 million is included in the FY2018 budget (2nd of 2 years) for the costs associated with **local district educator evaluation systems**. Funds are recommended to be used for professional development and training activities.
- The FY2018 budget includes a total of \$40.2 million to districts for **state data collection and reporting costs**. The recommendation maintains \$38 million for data collection, and includes an additional \$2.2 million to continue the work of the **Michigan Data Hub Network**. The regional data hubs are designed to improve the efficiency of local data collection and provide actionable data to districts through common reports and dashboards. **Center for Educational Performance and Information (CEPI)** funding totals \$16.2 million, an increase of \$4 million to convert from a work project-based budget to fully operational on an annual basis.
- The budget includes \$3 million to support **Partnership Models** for interventions in districts identified as needing additional academic supports. With this new program, the department will assign partnership liaisons to eligible districts to develop an intervention plan and coordinate public, private, and non-profit resources to improve student achievement. The budget also maintains \$5 million in funding for the School Reform Office's efforts to intervene in eligible chronically low-performing schools by providing **additional resources needed to improve student achievement** for 3 years.

Student Support Services

- The FY2018 budget provides over \$1.4 billion for **special education services**: \$963 million in state funds and \$431 million in federal funds. Based upon the work of the Special Education Task Force, the budget also provides \$1.6 million to assist ISDs with implementing the **Michigan Integrated Behavioral and Learning Support (MiBLSi)**, a nationally-recognized evidence-based and data-driven academic and behavioral intervention model.
- Funding for **adolescent teen health centers** is continued at 5.6 million and **hearing and vision screenings** is maintained at \$5.2 million.
- Funding for **school lunch and breakfast programs** is \$550.2 million: \$27 million in state funds and \$523.2 million in federal funds.
- Funding is maintained for **adult education programs**, administered by the Talent Investment Agency (TIA), at \$25 million.
- The budget maintains \$7.4 million for the **Michigan Virtual University** to research and support best practices in virtual coursework.
- **School transportation safety programs** are funded at \$3.3 million: \$1.7 million for school bus inspections provided by Michigan State Police and \$1.6 million for school bus driver safety training. Funding to support **transportation costs in small, isolated districts** is maintained at \$5 million.
- Education programs in **juvenile justice facilities** are included at \$1.3 million. Educational programs that serve **wards of the court** are supported with \$8 million. Funding for the **Youth ChalleNGe Program** is maintained at \$1.5 million.

Health and Safety Supports

- A total of \$8.7 million is included to continue **early education programs** for children in Flint, including resources to identify and provide services to children impacted by elevated levels of lead. Recommendations include \$3 million for expanded GSRP services, \$2.6 million to support school nurses and social workers, \$2.5 million to allow Genesee ISD to serve Flint children attending school elsewhere, and \$605,000 for nutrition programs.
- The budget includes \$4.5 million for reimbursements to districts and nonpublic schools of up to \$950 per school building for costs associated with **voluntary testing of water**. This program is transferred from the MDE budget.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at \$125.5 million.
- **Renaissance Zone reimbursements** are recommended at \$18 million.
- **School Aid Fund Borrowing Costs** are increased to a total of \$6.5 million.
- **PILT Payments** are maintained \$4.4 million.
- Funding for **Promise Zones** is increased to \$1.5 million.



STATE BUDGET OFFICE FY2018 Executive Budget Recommendation

SCHOOL AID BUDGET INCREASE FUNDING FOR ACADEMICALLY AT-RISK STUDENTS BY \$150 M TO \$529 MILLION

Increased Funding: The Executive Budget Recommendation increases targeted funding for academically at-risk students by \$150 million to \$529 million, a 40 percent increase.

Eligibility for receiving funds is expanded in two ways:

- All districts and public school academies are now eligible to receive funding for their at-risk students. Allocations to districts are based on 11.5% of the statewide average foundation allowance, rather than 11.5% of each district's foundation allowance to improve equity among districts.
- The definition of an at-risk student is expanded to include all children who are economically disadvantaged, not just those income-eligible for free lunch (130% or below of the federal poverty level). Economically disadvantaged is defined as those who are income-eligible for free and reduced lunch (185% or below of the federal poverty level), those who live in families receiving food assistance through the federal Supplemental Nutrition Assistance Program (SNAP) or cash assistance through the federal Temporary Assistance for Needy Families (TANF) program, or children who are homeless, migrant, or are in foster care.

An estimated 131,000 additional children, a 24% increase, will be eligible to receive at-risk services if they are in danger of falling behind academically. Per at-risk pupil funding will increase to \$778, compared to the current average of \$673, an increase of \$105 per at-risk pupil. The total number of children potentially eligible for direct services is nearly 680,000.

Services will continue to be provided using a multi-tiered system of supports (MTSS) framework. Under MTSS, educators use academic and behavioral data to deliver instruction with increasing levels of intervention based on identified student needs. MTSS implementation is expanded to grade 8.

Increased Accountability: This proposal includes more specific metrics to measure improvement in at-risk student academic performance:

- **Address chronic absenteeism issues.** Ensure that at-risk children are attending school regularly by comparing the rates of chronic absenteeism for economically disadvantaged children and English language learners (ELL) in the district to the rate for those children that are not economically disadvantaged.
- **Improve 3rd Grade English Language Arts (ELA) proficiency:** Ensure that the proportion of economically disadvantaged and ELL children in the bottom 30% of a district's performance on 3rd grade ELA tests is not more than the proportion of non-economically disadvantaged pupils in the bottom 30%. This metric encourages districts to better target funds to closing measures whether districts are closing achievement gaps and better targets funds.
- **Improve 8th Grade Mathematics proficiency:** Similar to the above metric, districts would need to ensure that the proportion of economically disadvantaged and ELL children in the bottom 30% of a district's performance on 8th grade mathematics tests is not more than the proportion of non-economically disadvantaged pupils. Eighth grade is the gatekeeper grade for math skills, the same as 3rd grade reading

is for reading skills. A focus on math skills is consistent with Michigan's emphasis on preparing students for high-demand, high-paying careers in the science, technology, engineering and math (STEM) fields.

- **Expanded High School Opportunities:** This metric would encourage districts to enroll at-risk students in grades 9 to 12 in career and technical education coursework, advanced placement or International Baccalaureate programs, or equivalent dual enrollment courses with a postsecondary institution.

The Executive Recommendation expands allowable uses of funds to professional development related to implementing MTSS with fidelity and improvement in student achievement on the more specific metrics.

Beginning in 2020-2021, if a district or public school academy has not achieved the metrics or made significant progress, the State Superintendent is authorized to assign a team of persons with expertise in comprehensive school aid district reform to partner with the district, the intermediate district, community organizations, local employers, and others to conduct a review of:

- The district's implementation and utilization of its multi-tiered system of supports (MTSS)
- The district's leadership and educator capacity to improve student outcomes
- The district's classroom, instructional and operational practices to ensure alignment with best practices and state curriculum standards.
- The district's use of financial resources to ensure that they are effectively targeted to improving academic achievement for at-risk pupils.

Background Information: The Augenblick, Palaich and Associates (APA) Michigan Education Finance Study (June 2016) contained a regression analysis that indicated there was a more significant impact on math and reading proficiency from targeting funds to economically disadvantaged students and English language learners than providing an increase in general operations funding. Similarly, the National Council of State Legislatures' (NCSL) study, *No Time to Lose*, (August 2016) indicates that top-performing countries provide extra support to struggling students. Marc Tucker, with the National Center on Education and the Economy, notes in his review of the reasons for Massachusetts's success that there are more resources for disadvantaged students who need them the most, so that all students can reach high standards.



STATE BUDGET OFFICE
February 8, 2017
FY2018 School Aid Executive Recommendation
Shared Time Program Overview – Revised

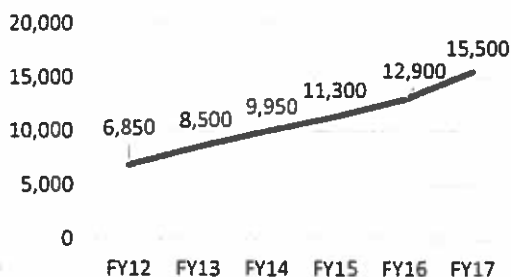
Proposal Information

Shared time instruction allows a nonpublic student to enroll in “non-essential” elective courses at a public school and be considered a *part-time pupil* in the public school for state aid purposes. These part-time pupils are combined to create a full-time equivalent (FTE) number of pupils on which districts receive state payments. Shared time enrollment has doubled since 2012, as legislation has expanded the options for districts in the past several years, and as districts have increased their course offerings for nonpublic pupils. At a cost of about \$7,500 per FTE in foundation allowance dollars, shared time instruction will cost the state over \$115 million or the equivalent of nearly \$80 per public school student in fiscal year 2017.

For fiscal year 2018, the Executive Recommendation caps the amount for these programs at \$60 million. Since shared time reimbursements are only paid for non-core, non-essential, elective courses, money invested in shared time is not being used to improve student academic outcomes in core subject areas. The governor recommends the savings from the cap be reinvested in the state education system to improve student outcomes in these core subject areas.

Background Information

**Shared Time Enrollment
in Public Schools**



Key Observations:

A large portion of the shared time FTEs are attributable to a small number of districts. Over 50% of the 15,500 FTEs in fiscal year 2017 are from ten school districts. In total, about 300 districts receive reimbursements for shared time students. Only 30% of the shared time students are being served at a public school site. The remaining 70% (11,000 FTE) are being served in a nonpublic school both in and outside of the district's boundaries.

Also, new for fiscal year 2017, kindergarten programs are eligible for purposes of shared time. Up until this year, shared time had been precluded to pupils in grades 1-12. There were 7,000 students reported in the Fall 2016 as kindergarten shared time (1,100 FTE). When looking at just the ten districts identified above, they account for 3,100 of the 7,000. On average, for these districts, 45% of their kindergarten enrollment is attributable to shared time program offerings.

Total Participation

The participation in shared time instruction has increased in recent years. In fiscal year 2012, about 6,850 FTEs were reimbursed under this program. In fiscal year 2017, the number has increased to 15,500 FTE. On a headcount basis, over 100,000 non-public school students enrolled part-time in a public school.

Top 10 Shared Time Districts by FTE

District	FY17 FTE	
Brighton Area Schools	1,753	23%
Berkley School District	1,325	23%
Grand Rapids Public Schools	879	5%
Clarkston Community School District	875	10%
Oxford Community Schools	651	11%
Berrien Springs Public Schools	552	14%
Redford Union Schools, District No. 1	441	14%
Carrollton Public Schools	433	19%
Gull Lake Community Schools	432	12%
Madison District Public Schools	425	25%
Total	7,766	

